Corporate Relations

MEDIA MONITOR

December 2, 1982

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Grant County Review
Milbank, SD
November 24, 1982

Million Dollars Will Be Spent To Upgrade Branch Rail Line

Bids for improvement of the Milbank to Sisseton rail line will be let in March, it was announced at the conclusion of a public hearing at Sisseton last Tuesday morning. More than a million dollars will be spent to rehabilitate the line.

The Federal Railroad Administration is expected to allocate $648,933 for the project on a 70-30 matching basis. Materials provided by the South Dakota Divisionof Railroad personnel shows that the branch line's estimated payback of the project will be 3.14 years.

Plans are to put the line in Class I standard, which would permit traffic at 10 miles per hour for shipment of grain from Sisseton, Peever, Wilmot and Corona. The line, owned by SLA and operated by Dakota Rail, will require 15,000 ties, 92,000 anchors and 25,000 tons of rock.

Jerry Ross, of Dakota Rail, reported at the meeting that 8,000 new ties were installed during the summer and improvements were made in the Sisseton yard and at different vehicle crossings. A large number of barley cars are loaded daily at Sisseton.

The SD Rail Authority plans to apply for LRSA program funds during the 1983 fiscal year which begins Oct. 1st. This will be the source of money for rehabilitation work with Dakota Rail providing $278,114 under the matching proposal.

The Milbank to Sisseton line has had a unique role in the State's transportation system. Barley shipped to malters in Minnesota and Wisconsin has been the predominant commodity moving on the line. The line was part of the Milwaukee Road's system until March 1982, and grain elevators on the line benefited from the Milwaukee's barley rates, which usually were less than those of other railroads in the area. These lower rates enabled elevators on the line to develop market areas extending far into North Dakota, South Dakota and Minnesota.

After the Milwaukee abandoned the Milbank to Sisseton branch line, it was purchased by a group of shippers and businessmen who were interested in restoring operations. A rehabilitation plan was formulated and a short line, operated by Dakota Rail, was established.

Dakota Rail, believing that Milwaukee barley rates are essential to its success, negotiated rates and an operating agreement with the Milwaukee. The negotiated rates provide for continuing the historic rate advantage and the operating agreement provides for interchanging traffic at Milbank. The Milwaukee had abandoned the Ortonville to Milbank segment of its main line, but negotiated with the BN for trackage rights over this segment. The agreement permits the Milwaukee to interchange traffic with Dakota Rail at Milbank.

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WATERWAYS JOURNAL
November 13, 1982

Editorial- - -

Another Hostage?

Once again an agency of the U.S. Government has made it quite clear that the barge and towing industry of this great land is considered a bastard child, and that attacks by predators are of little concern.

The Interstate Commerce Commission issued final rules November 4, stating that water carriers have no right to protest contracts for rail rates and services. The Water Transport Association filed suit on that same date contesting the rules.

Where, may we ask, is the hope for the inland waterways and the barge and towing industry?

We can recall not one highly placed Administration official in nearly a decade who was willing to stand up openly and fight for the barge and towing industry. Any fool can recognize the vital role water transport has played in America. And while we know that it is not always politically expedient to support it, it is some kind of *dumb* not to know that every year our industry suffers and our waterways are neglected, this nation gets closer to ruin.

The WTA highlighted recently the move toward stronger railroad monopolies through mergers. WTA has been a strong combatant against railroad price connivery that results in fewer transport efficiencies being passed along to shippers.

We have seen well-educated water transport specialists present indisputable information on behalf of the barge and towing industry. And equally as often we have watched as those with power fail to listen and act. Heads are buried in sand. The railroad lobby, large and rich as it is, continues to influence even those whose responsibility is to help maintain a sound, total national transportation system and policy.

Even though railroads have the clout to force their desires upon the nation, that will not change the disastrous impact that will be forthcoming when our waterways silt up and our fleet lies rusting bankside.

The battle waged long and hard for the purpose of imposing user fees on the waterways. Finally, after shameful treatment by ruling administrations and water projects being held hostage, the water transport industry agreed to reasonable fees if we could get Locks and Dam 26 off dead center.

For the past couple years we have been threatened with the cut of $150 million from the U.S. Engineers' civil works budget. It is rotten politics. So far, Congress has stopped that. Even the Section 205 study to determine the impact of user fees on the waterways was shamefully done.

Now the Administration is determined to get cost recovery in one form or another at any price. Even though Department of Transportation Secretary Drew Lewis admits that immediate 100 per cent cost recovery is "impractical," he says some movement should be made toward higher user taxes. "If we don't," he says, "I'm certain there's not going to be the funds to upgrade our locks and dams in the future."

Well, Mr. Lewis is probably right . . . right because the Administration has decided not to free a penny if it can help it.

We are still waiting to see how the government plans to spend the millions in the Inland Waterways Trust Fund, the handy little coffer into which fuel taxes have been stowed since October 1, 1978. That fund, according to the Bureau of Government Financial Operations, now rests at a tidy $53,897,369.64.

With unemployment at record highs, we are sure waterways leaders can suggest navigation projects that would make use of those millions and help alleviate the unemployment problem. Or is that now being held hostage, too?

Traffic World Magazine
November 29, 1982

ICC to Rule on Amount C & NW Owes Milwaukee Road for Use of Lines

The ICC has instituted a proceeding to determine the amount of compensation due the Chicago, Milwaukee, St. Paul & Pacific Railroad Co. for the Chicago & North Western Transportation Co.'s use of certain Milwaukee Road lines.

C & NW had asked the ICC to determine the amount of rent payable to Milwaukee Road for C & NW's use of various track and facilities in South Dakota, Minnesota, Iowa, Illinois, and Wisconsin, because the two railroads have been unable to agree on appropriate compensation.

C & NW has operated over designated Milwaukee Road lines since Milwaukee Road embargoed all operations outside of its "core system" in 1980. A series of ICC service orders have authorized the C & NW operations.

In a petition filed with the ICC, C & NW claimed that the Milwaukee Road has demanded payment of 40 per cent of the revenues from C & NW's operations over the Milwaukee Road lines, and that Milwaukee Road has been withholding those amounts from current accounts payable by Milwaukee Road to C & NW.

C & NW said the Milwaukee Road has withheld $1,588,000, from it and argued that the Milwaukee Road's compensation position is unreasonable.

C & NW asked the ICC to order Milwaukee Road to pay back any withheld monies that are in excess of the amount of compensation which the agency deems is due Milwaukee Road.

The ICC's decision, served November 18, was issued in Service Order 1432, *Chicago & North Western Transportation Co. Authorized to Operate Over Tracks Embargoed by Chicago, Milwaukee, St. Paul & Pacific Railroad Co.*, embracing Service Order No. 1474, *Various Railroads Authorized to Use Tracks and/or Facilities of Chicago, Milwaukee, St. Paul & Pacific Railroad Co., Debtor (Richard B. Ogilvie, Trustee)*, and Service Order No. 1492, *Chicago & North Western Transportation Co. Authorized to Use Tracks and/or facilities of Chicago, Milwaukee, St. Paul & Pacific Railroad Co., Debtor (Richard B. Ogilvie, Trustee).*

Crain's Chicago Business 3 November 29, 1982

Rebuilt C&NW toasting 10-year road to recovery

By F. K. PLOUS JR.

Making money with a railroad has never been a game for the impatient or the timid. The countdown to success can last decades; the bankroll can run into billions. Would-be tycoons with short attention spans and short lines of credit need not apply.

But for those with brains, stamina and luck, nothing quite beats the feeling that a decade of effort and investment is finally turning a sick railroad around.

Ten years after they bought and began rebuilding the 134-year-old Chicago & North Western (C&NW), CEO James R. Wolfe and employee-stockholders are starting to get that feeling.

"We turned this railroad from a dog into a performer," Mr. Wolfe beams. "When the employee ownership plan took effect on June 1, 1972, our equity was $3.6 million; in 1982, it is $160.2 million. In 1972, our long-term debt was $331 million, now it is $327 million. That's magnificent for this company after a year of recession.

"Our working capital in 1972 was $16 million. That was really excellent. Now it's $39 million. Our stock was worth 28 cents 10 years ago. It's about $21 today."

But Mr. Wolfe seems proudest when he reports, "We haven't paid a penny in dividends to the stockholders. We've spent $1.2 billion on track and equipment."

Far from criticizing that policy, the investment community applauds the plowback as the only realistic route to the profitability that eluded the North Western during the years since Chicago Mayor William B. Ogden launched it in 1848.

"The railroad is improving all the time," says Kidder Peabody & Co. analyst Henry Livingston. "You get the sense the new people there are taking charge of things."

And none too soon. Chronically starved for revenues in the overbuilt Midwest crazy-quilt of post-Civil War rail lines, the North Western was in bankruptcy when the World War II traffic boom temporarily staved off ruin.

Rescued by Heineman

The carrier was headed for its second and probably final rendezvous with bankruptcy court when Wisconsin lawyer Ben W. Heineman acquired control in 1956. He cold-showered the line into solvency with a quick retirement of steam locomotives, a briefly profitable modernization of Chicago commuter service and ruthless axing of money-losing intercity passenger trains and rural branch lines.

But Mr. Heineman's shock treatment couldn't frighten away North Western's biggest boogeyman: government. A tax-financed interstate highway system let truckers skim the cream off the carrier's freight traffic, while regulation held the rails powerless to resist.

As revenues dwindled, the 488-mile Chicago-Omaha Overland Route slipped from a 90-mph speedway to a 40-mph washboard, with long stretches "slow-ordered" as low as 10 mph.

Expensive legal battle

Equally ominous was an expensive 10-year battle to block a proposed merger of rival Rock Island and giant Union Pacific (UP) that soured a decades-old "understanding" giving North Western the major share of connecting traffic between Eastern carriers at Chicago and UP's railhead at Omaha.

Industry experts and regulators had long predicted the Upper Midwest would have to prune away at least one surplus railroad. By the early 1970s, there was widespread agreement that the prime candidate was North Western.

Frustrated, Mr. Heineman put his company up for sale, but he found no takers until his company's president, the late Larry S. Provo, proposed the daring idea of selling the whole thing to the employees.

"Nothing like it had ever been done before," said spokesman Jim Mcdonald. "And a lot of employees were saying, 'Ben Heineman's a smart man. If he's selling, why should I be buying?' "

No-dividend proviso

But buy they did—to save their jobs. Aiding their prospects was a codicil specifying that no dividends could be paid for the first five years—and after that, only under stringent conditions—until the railroad was restored to health.

Mr. Provo, who died in 1975, lived only long enough to see the first faint beginnings of recovery. The company made money each year from the start of employee ownership, except during the 1975 recession. But in that same year, the Rock Island slipped into bankruptcy, and in 1978, the Milwaukee Road followed.

In 1981, the Rock Island entered liquidation, while Milwaukee began a drastic closure and selloff of major lines, leaving C&NW facing only giant Burlington Northern and an enfeebled Illinois Central Gulf in the Chicago-Omaha corridor.

"I think in the eyes of most people they have emerged as the principal surviving Midwest carrier," says William Blair & Co. analyst John Richards.

"They won't make money this year because the recession has been so severe, but in the first half of 1981, in a so-so business climate, I think we got some glimpse of what the company can do. Their net was $1.07 a share, including some extraordinary income. Their after-tax margin was something approaching 6%.

"I think it's testimony to how far the company has come that they should cut the capital budget during the recession and not lose effective train speeds."

Miraculous though North Western's transformation may appear to outsiders, Mr. Wolfe explains it largely as a conjunction of three forces: strong long-range planning, deregulation and employee ownership.

Two-pronged plan

Operating under a 10-year plan drawn up in 1972, management moved simultaneously on two fronts, tearing up unproductive branch lines and reinvesting the proceeds in a massive rebuilding of productive main lines, led by the Overland Route.

The capital raised from the branch lines never would have been enough, however, without some $150 million in federal preference-share money made available in the 1976 Railroad Revitalization and Reform Act, along with as much as $1.2 billion in self-generated revenues that would have been seriously diluted in the absence of a no-dividend policy.

Crain's 11-29 C&NW Concluded

"We've gone from about 12,000 miles down to about 7,000 miles," says Mr. Wolfe. "We should be down to 6,500 in about five or six months. It not only eliminated the unprofitable track but really helped the cash flow through sales of scrap rail."

Invested in the Overland Route, C&NW's grubstake has paid hefty dividends by wooing back the UP's vital interchange traffic.

Interchanges vital

That traffic is vital because, with exceptions such as grain and iron ore, C&NW originates comparatively few carloads. The lifeblood of the railroad is freight it receives from Eastern railroads at Chicago and interchanges with the Union Pacific at Omaha, as well as import traffic originated by the UP on West Coast docks and routed over C&NW to Eastern connections at Chicago.

"In 1972, we handled 170,000 carloads for the UP," Mr. Wolfe says. "In 1981, we handled 425,000. That's the accomplishment of the goal—take that marketshare." C&NW is now, by a wide margin, UP's biggest interchange partner.

Also significant, a large proportion of the UP traffic is high-speed, high-revenue merchandise traffic moving in North Western's 70-mph Falcon piggyback and container trains.

"In 1972, we handled 35,479 trailer loads," Mr. Wolfe says. "Last year it was 180,000. That is very competitive, service-demanding traffic. You don't get that unless you perform."

Traffic pact protected

Along with restoration of the Overland Route's health has come a restoration of C&NW's long-time traffic arrangement with the UP. Despite an impending merger of the UP with the Western Pacific and Missouri Pacific, North Western has been assured its interchange traffic will not be diverted so long as it continues to perform.

Mr. Wolfe feels employee ownership should assure that. Although North Western stock was listed on the New York Stock Exchange in 1979, and many employees had sold some of their stock over the counter even before that, 40% to 50% of the stock remains in the hands of employees or retirees, according to Mr. Wolfe.

However, some clouds still hover on the horizon. A major ambition of C&NW management—that of building a strong north-south axis out of Rock Island's Twin Cities-Kansas City Spine Line—has continued to meet resistance, first from the state of Iowa and now from the Canadian Pacific subsidiary Soo Line.

Canadian threat

Also threatening from north of the border is CP rival Canadian National. Should the Interstate Commerce Commission (ICC) approve its application to acquire the Milwaukee Road, the two Canadian giants will have North Western in a pincers, perhaps forcing C&NW into an early defensive merger with its long-time patron, the Union Pacific.

Most observers see salvation coming from Wyoming's Powder River Basin, where North Western will gain access to rich low-sulfur coal deposits over a joint line it agreed to build with Burlington Northern (BN). The richer BN went ahead and built the line with its own funds in the late '70s.

North Western, only now granted funding by a consortium of 20 banks, is asking co-ownership of 106 miles of the line for $76.2 million. BN is protesting both the price and the ICC's jurisdiction in setting it. C&NW will get into Powder River, but just when is anybody's guess.

Second 10-year plan

Before that happens, Mr. Wolfe and his associates will be well into their second 10-year plan. Like the first, it has two planks, this time labeled productivity and diversification.

The former will mean innovative —and perhaps controversial— changes in labor practices, along with increased traffic density from closure of excess branch lines and stepped-up marketing.

The latter means something never contemplated at North Western— non-railroad subsidiaries.

"We're not talking about a great big acquisition," Mr. Wolfe says. "Small companies, not in the railroad business. We're preparing our financial models."

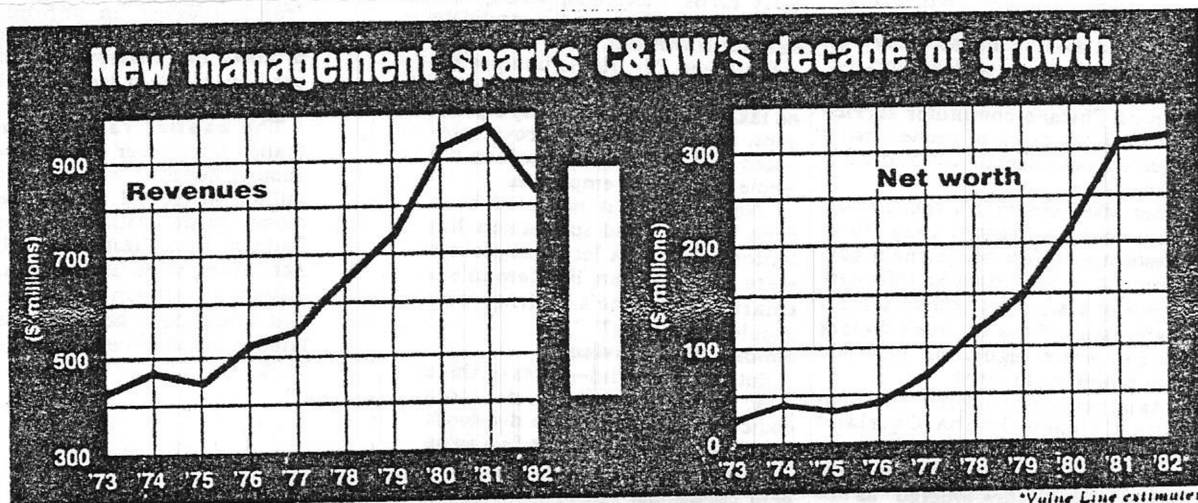
Railroad's the test

For most connoisseurs of corporate recovery, however, the real test at C&NW will continue to be the performance of its railroad.

"They are fairly lean and flexible," says James Layton, president of JL Industries in Barrington. "I don't see that in most railroads I deal with. They definitely feel they're in a highly competitive situation. A lot of railroads see themselves as a monopoly. North Western doesn't."

Mr. Layton, whose office window overlooks the carrier's Northwest Line, says the proof of the North Western's recovery lies in its physical plant, once the disgrace of the industry and now approaching star status.

"It's really great to see the fresh ballast and the rebuilt rail," he says. "Even the signal gantries and the bridges have been painted—for the first time in decades. It's like the Santa Fe or something—black enamel on the ironwork and silver paint on the signal masts. They look like a real railroad now."#



*Value Line estimates

C&NW to lay off 1,000

By Sheila Tefft

THE CHICAGO & North Western Transportation Co. will lay off an estimated 1,000 workers throughout its system because of the weak economy and poor rail traffic, the company confirmed Wednesday.

"It's a reflection of the level of business and the economy," said spokesman Jim Macdonald.

The pre-Christmas layoffs, which already have begun, are expected to hit about 10 percent of the railroad's current work force of about 10,000, Macdonald estimated, although he said that figure was "not cast in bronze."

He said that C&NW officials had been holding meetings this week to determine the level of layoffs and that final figures wouldn't be available for several days.

THE LAYOFFS include about 10 percent of the railroad's Chicago headquarters staff of about 1,100 employees. That follows a similar action in July, when the railroad furloughed up to 130 of its management personnel in a cost-cutting move.

C&NW officials were still determining where the other layoffs would occur. For example, though, Macdonald said the railroad was closing down a maintenance facility in Oelwein, Ia., for December. The facility employs about 75 persons. How many will return to the job in January has yet to be decided, the spokesman said.

The C&NW, which has been hit hard by declining grain and coal shipments, has laid off about a third of its workers from its peak of 15,000 two years ago. The railroad had beefed up its work force at that time for a $200 million project to rebuild and upgrade its 500-mile line between Chicago and Omaha. It normally employs about 13,000 workers.

THERE ARE ABOUT 425,000 railroad employees out of work industry-wide, according to the federal Railroad Retirement Board, which is based in Chicago. That is down from about 500,000 a year ago.

With much of its fleet of grain cars sidetracked by low grain prices and weak car loadings, the C&NW suffered a loss of $2.5 million in the third quarter, compared with a profit of $10 million, or 71 cents a share in the year-earlier quarter. The railroad would have been profitable in the quarter if it hadn't been for the four-day nationwide rail strike, the company said.

For the nine months, the company reported losses of $13.2 million, compared with a profit of $41 million, or $2.92 cents a share, in the 1981 period.

Santa Fe realigns top management

By Sheila Tefft

A MAJOR realignment of top management at Santa Fe Industries Inc. was announced Wednesday, and the designated new chief executive revealed the company is looking closely at a railroad merger.

John S. Reed, chairman and chief executive officer of Santa Fe Industries for almost 10 years, will step down as head of the Chicago-based railroad holding company next year.

He will be succeeded by Santa Fe president John J. Schmidt, who said the company is studying a merger for its Atchison, Topeka and Santa Fe Railway Co.

In an interview, Schmidt, 54, whose succession comes as no surprise to company observers, said the firm is "taking a hard look" at merging the Santa Fe with another railroad and predicted it "will take some action on this in the near future."

IN 1980, SANTA FE aborted plans for a $1.2 billion merger with Southern Pacific Co. four months after the plans were announced. However, new impetus to find a merger partner came after the Interstate Commerce Commission this fall approved the combination of three western and southwestern railroads, Union Pacific Corp., Missouri Pacific Corp. and Western Pacific Railroad Co.

"I still have great faith in our basic business of railroading and I would like to strengthen ourselves there," said Schmidt, who has spearheaded Santa Fe's recent diversification into other areas, particularly energy-related businesses. He indicated he also hopes to direct Santa Fe into new, less capital-intensive businesses.

Reed, 65, a Chicago native who joined Santa Fe in 1939 as a test department assistant in Topeka, said he will retire next April after the company's 1983 annual meeting.

At that time, he will recommend to the board of directors that Schmidt be appointed chairman and chief executive and that W.J. Swartz be named president of Santa Fe Industries.

SWARTZ, 48, WHO is executive vice president of the railroad, will become executive vice president of the parent company Jan. 1, before becoming president in April. Schmidt also will take over Reed's position as chairman of the railroad company.

Lawrence Cena, 61, will remain president and chief executive officer of the railroad. Cena has indicated he wants to retire soon. D.G. Ruegg, 58, the railroad's operating vice president, will replace Swartz as executive vice president.

Schmidt declined to say what railroads Santa Fe considers possible merger partners, although he refused to rule out reviving a combination with the Southern Pacific.

"I'm not saying that (Southern Pacific) will be the railroad or that it won't," said Schmidt. He would not say if talks are underway.

MERGER RUMORS in the railroad industry recently also have linked the Santa Fe with the Kansas City Southern Railway Co.

Santa Fe is among a group of competing western railroads that are contesting the ICC's approval of the Union Pacific/Missouri Pacific/Western Pacific merger. Rail analysts question whether Santa Fe will act before the legal challenges to that merger are cleared up.

Burlington's move signals further Chicago rail slide

By David Young
Transportation writer

IN WHAT MAY be symptomatic of Chicago's continuing decline as the nation's rail center, the Burlington Northern Railroad plans to phase out its 200-acre Cicero classification yard and convert the facility to handle piggyback trains.

The initial $2 million expansion of piggyback facilities has already begun.

The Cicero yard is a victim of a general streamlining of U.S. railroad operations to bypass the congested big cities. The action also reflects projected changes in railroad traffic resulting from truck competition.

"We're getting out of the boxcar operation and into truck trailers," said Wayne A. Hatton, the Burlington's Chicago region vice president and general manager. "The whole industry is getting out of the boxcar business."

THE PHASEOUT of the Cicero classification yard, one of the biggest in the Burlington system, is part of a reshuffling of the railroad's Chicago region planned over the next few years. Classification yards are used to sort freight cars according to destination.

Other aspects of the Burlington's plan include:

- Transfer of the regional headquarters—one of six in the Burlington system—to a new $1 million building in Galesburg, Ill.

The corporation recently shifted its holding company offices from St.Paul to Seattle and the railroad's operating headquarters to Kansas City, although the railroad's general offices remain in St. Paul.

The bulk of the 125-man Chicago regional staff will be moved to Galesburg, although about 30 employees, mostly members of the law and marketing staffs, will remain in Chicago.

- Transfer of the suburban Aurora and Hannibal, Mo., division offices to Galesburg.
- Transfer of the commuter division offices from Chicago to Aurora. Also, dispatchers that handle trains in the Chicago area will be moved to Galesburg.
- Expansion of the existing Eola yard between Naperville and Aurora to handle Chicago area traffic now serviced in Cicero.
- Rebuilding, for an estimated $65 million, the Galesburg yard. That project has not received the approval of the corporation's board, however.
- The sublease of most of the floors of the Burlington's 15-story regional headquarters at 547 W. Jackson Blvd. The Burlington, which sold the building three years ago and signed a 10-year lease on it, now occupies 4½ floors and has sublet one floor to the Northeast Illinois Railroad Corp., the Regional Transportation Authority subsidiary that operates two commuter rail lines.
- Transfer of most of the operations of the Clyde locomotive shop in Cicero to Galesburg. The shop, which now has about 150 locomotives, will then serve more as a "gas station" for about 30 switch engines that will continue to be assigned to the Chicago area, Hatton said.

"Galesburg will be our new hub. I can see the day when we don't even classify trains in Chicago," he added.

Galesburg was picked because it has a yard and is in the center of the revamped Burlington system on the carrier's east-west and north-south lines.

The impetus for the revamping of the role of the 43-track Cicero yard was a Burlington study that predicted that railroad piggyback truck trailer traffic would increase 300 percent by 1999. The traffic at Cicero indicates the shift has already begun.

Ten years ago, Cicero handled 5,000 to 6,000 freight cars a day, but only about 5 to 10 percent of that traffic was "intermodal"—truck trailers or containers shipped on flat cars. Today, the yard handles about 2,500 freight cars daily, but 25 percent of that traffic is intermodal.

THE SHIFT to truck trailers transported on railroad cars is a national phenomenon resulting from the greater flexibility of the truck trailer, which can be removed from trains at central yards and hauled by truck to outlying industries, and the inefficiency of the traditional boxcar, which is too large for many industries and requires that a side track be built to the factory.

In anticipation of the shift to intermodal traffic, the Burlington has demolished, at a cost of $600,000, most of its Freight House 9, built in 1954 on the north side of the Cicero yard for $4 million. The freight house was designed to permit boxcars to pull up at one side and trucks at the other to exchange loads.

The railroad is preparing to demolish an abandoned steel company warehouse nearby. The warehouse's 18-acre concrete floor will be left for the outdoor storage of trailers.

The remainder of the Cicero yard is undergoing a conversion to handle intermodal traffic. The traffic traditionally handled at Cicero required a large number of classification tracks onto which cars could be sorted by destination, and a hump over which the cars could be pushed to permit semiautomatic sorting.

AN INTERMODAL yard, on the other hand, requires fewer but much longer tracks. There also must be substantial space between the tracks to allow trailers to be maneuvered into place for quick loading and unloading.

The Cicero yard formerly had room to load only 52 railroad flat cars, but the conversion program had added enough tracks for an additional 45 flat cars on the south side of the yard and 72 on the north side. The railroad also has added concrete aprons, to keep trucks from being mired in the mud, and cranes to speed loading.

"We're so congested now that we make the trucks drop their trailers just inside the gate," said David L. Starling, the Burlington's Cicero terminal superintendent. The railroad also was deluged with complaints from residents of the area, because trucks waiting to unload were often backed up onto adjacent Ogden Avenue, he added.

To make up for the tracks lost at Cicero, the railroad plans to expand its small yard at suburban Eola by 30 percent, Hatton said. That yard already handles 30 trilevel auto cars a day for Datsun, Honda and Mazda regional unloading facilities in nearby Naperville, 20 to 30 cars a day for an adjacent breakfast food and cracker factory, sand shipments from north-central Illinois, a potash train from Canada and equipment shipments from several factories in the Aurora area.

Twenty-five thousand feet of track has already been added at Eola to handle the traffic shifted from Cicero, Hatton said.

"If things work the way we are projecting, we'll tear out more tracks at Cicero and expand Eola," he said. "Actually, we do a lot more originating traffic here than we do in Cicero."

The Cicero yard was built in 1887 and has been expanded almost continually since then. In 1958, the yard underwent a major rebuilding.

Rail News Update
AAR November 17, 1982

Merger Delay Request Dropped By D&RGW

OMAHA — The Denver and Rio Grande Western has agreed not to seek to delay the merger of the Union Pacific, Missouri Pacific, and Western Pacific railroads.

The Rio Grande, which had earlier asked that the UP/MP/WP merger be stayed, reached an agreement with UP to withdraw the request for a stay. The Rio Grande will, however, continue its appeal of the Interstate Commerce Commission approval of the consolidation.

The agreement also allows Rio Grande to immediately implement trackage rights over the Missouri Pacific on the effective date of the merger.

A similar agreement has been reached between UP and the Missouri-Kansas-Texas Railroad. The MKT also agreed not to request that the merger be stayed. It, too, will be able to implement its trackage rights on the merged rail system immediately after the merger is consummated.

The ICC's order approving the merger will be effective November 19 if no stays are granted.

Journal of Commerce
November 29, 1982

Agency Approves D&RGW Operations

Journal of Commerce Staff

WASHINGTON — Interim agreements aimed at permitting the Denver & Rio Grande Western Railroad to operate over the Missouri Pacific Railroad's line between Pueblo, Colo. and Kansas City, Mo. have received Interstate Commerce Commission approval.

The action came in a decision denying an Atchison, Topeka & Santa Fe Railroad request that the applications be rejected on grounds they were illegal pooling agreements and could give the Union Pacific control over these movements.

The D&RGW was given rights to operate over the line in the ICC's recent decision permitting the UP to purchase the MoPac and Western Pacific railroads.

Santa Fe's contentions were rejected by the agency on grounds neither carrier competes with the other for the traffic involved and that the interim price was arrived at through arms length negotiations.

Wall Street Journal
November 26, 1982

Rock Island Trustee Cleared to Offer to Pay Some Creditors' Claims

By a WALL STREET JOURNAL *Staff Reporter*

CHICAGO—The bankruptcy trustee for the Rock Island Railroad received federal court approval to offer to pay $127 million to creditors with undisputed claims.

Federal Judge Frank J. McGarr's approval was separate from a reorganization plan for the carrier, formally known as the Chicago, Rock Island & Pacific Railroad. Judge McGarr extended to Jan. 5 from next Tuesday the deadline for William M. Gibbons, the trustee, to file the reorganization plan.

Nicholas G. Manos, attorney for the trustee, said creditors with undisputed claims could elect to delay receiving payment of claims until approval of a reorganization plan, to include interest payments on their claims. But approval of reorganization might take from one to three years, he estimated.

The Rock Island has been in reorganization proceedings since 1975 and under an order of liquidation since 1980.

Journal of Commerce
December 1, 1982

Conrail Should Pass '83 Profitability Test

Journal of Commerce Staff

WASHINGTON — Conrail chairman and chief executive officer L. Stanley Crane reported that even though no improvement in traffic levels is expected this year, he expected Conrail to pass a profitability test in November 1983.

The federally owned Conrail is in the process of cutting costs and aiming for improved revenues while the government looks for a private buyer.

U.S. Railway Association, Conrail's banker, must decide on Nov. 1, 1983 if Conrail is profitable. If the railroad measures up to the test, the U.S. Department of Transportation will continue to try to sell Conrail in one piece until June 1, 1984. After that, Conrail can be sold in pieces.

In a recent progress report on transfer of Conrail's passenger business, the association said that despite a weak economy and an unprecedented 21 percent drop in traffic, Conrail produced both net income and operating income increases in the first nine months of this year.

Mr. Crane forecasted that full 1982 results will show gains over 1981 and concluded: "I remain confident that Conrail will meet the profitability requirements . . ."

Wall Street Journal December 2, 1982

Three Articles

Amtrak Gets Accord With Union for Use Of Fewer Conductors

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON—Amtrak has reached an agreement with the United Transportation Union that will enable the rail passenger service to cut costs by using fewer train conductors.

The pact provides for the government-financed corporation to hire directly the conductors and other on-board train-service employees on its Boston-Washington corridor. Currently, these Amtrak workers are employed by Consolidated Rail Corp., but Conrail's role will end Jan. 1.

With the agreement Amtrak, for the first time in its 11-year history, will directly employ all its workers on the Northeast corridor. Similar accords were signed earlier with the Brotherhood of Locomotive Engineers.

Productivity will increase because conductors and other train-service personnel will be paid an hourly wage, eliminating the mileage-based formula used for more than 60 years in the railroad industry, Amtrak said. A similar change was involved in the agreements with the engineers' union.

Currently, some conductors work as few as 13 days in a month and get paid for 20, because they receive a full day's pay for each 150 miles they travel, Amtrak said.

The newest agreement combines the job classifications of conductors, assistant conductor-ticket collector, brakeman, flagman and baggageman into two categories: passenger conductor or assistant passenger conductor. All UTU employees covered by the pact must be proficient in various kinds of work, including fare collection and ticketing. This will allow more flexible use of employees, Amtrak said.

The pact also allows Amtrak to run certain short trains with smaller crews. Amtrak is officially known as the National Railroad Passenger Corp.

MCI Communications Signs Amtrak Lease For Fiber-Optic System

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON — MCI Communications Corp. said it signed a 20-year, $4.4 million lease with National Railroad Passenger Corp., or Amtrak, allowing the telecommunications concern to build a 225-mile, fiber-optic communications system between New York and Washington.

The installation, which also will link Newark and Trenton, N.J., Philadelphia, Wilmington, Del., and Baltimore, will have an initial capacity of 40,000 circuits for voice and data transmissions. MCI now operates 10,000 microwave circuits between New York and Washington. MCI said the new system could be expanded quickly to 120,000 circuits.

Fiber-optic systems transmit information by light through thin glass fibers. The systems are generally buried underground and aren't as susceptible to transmission interference and other problems as are above-ground telephone lines and microwave systems.

Under terms of the agreement, Amtrak will lease to MCI the needed railroad right of way and cleared conduit space already in place for 20 years with three consecutive 20-year renewal options. MCI also will provide Amtrak with free use of a few fiber-optic circuits for its operational and mechanical needs.

The Washington-Philadelphia segment of the system is expected to be operating by January 1984, and the Philadelphia-New York segment by December 1984, the company said.

Amtrak said the MCI project means Amtrak won't have to install a system of its own that would have required about $9 million in federal support.

Louisiana to sue in ICG derailment

BATON ROUGE, La.—Louisiana Gov. Dave Treen asked the state's attorney general Wednesday to file suit against the Illinois Central Gulf Railroad for environmental damage caused by a Sept. 28 chemical train derailment. Treen said the suit would seek $402,187 in actual costs incurred by six state agencies responding to the predawn derailment and explosion of 43 cars in the 105-car ICG train in downtown Livingston, La. Hazardous chemicals that spilled, exploded and burned in the wreck forced 2,700 residents out of their homes for two weeks.

Washington Post November 27, 1982

Solution Sought to Alcohol Use, Chemical Transportation Danger

By Douglas B. Feaver
Washington Post Staff Writer

LIVINGSTON, La.—Shortly after 5 a.m. on Sept. 28, 43 cars of an Illinois Central Gulf freight train derailed in front of patrolman Gary Stewart's house. Most of the cars were filled with chemicals, some of which exploded and blew out the windows of Stewart's house and left an enormous pit where the tracks used to be.

Two months later, Stewart sits in his patrol car, keeping the curious away as bulldozers move the dirt from a 4-foot-by-1,000-foot area contaminated with chemicals.

After bulldozers scrape away a layer of dirt, officials test to see if the next layer is contaminated. As the process goes on, the pit where the train fell has reached four feet deep and about 1,000 feet square. Only after state officials are satisfied that contaminated dirt is gone will they let the ICG fill in the hole and replace the track.

The cause of the wreck is under investigation by the National Transportation Safety Board. But it opened up the touchy issue of alcohol use on the nation's railroads after an Illinois Central Gulf clerk told federal investigators she was operating the train when it derailed because the engineer was drinking and could no longer sit up in his seat.

The investigation of this spectacular accident has spotlighted some of the most serious railroad safety issues of the 1980s: the threat hazardous materials can present to the public and the problem of substance abuse by train crew members.

There have been major improvements in tank car protections in recent years, and the number of cars that released hazardous material in 1981 was only 110 out of almost 800 damaged in some way. In 1978, the worst recent year, the numbers were 220 and 1,200, according to the Federal Railroad Administration.

The alcohol issue is impossible to quantify. Federal Railroad Administrator Robert W. Blanchette called a special conference of railroad management and labor in June, before this accident, to discuss alcohol abuse.

"There are no reported facts," he said in his speech, "because the industry has absolutely no interest in reporting the facts of alcohol and drug abuse." Union members do not want to turn in fellow workers for disciplinary action, he said, and management does not want to risk liability suits.

Blanchette ordered a survey to see if he could obtain accurate information. "All 21 directors [of railroad-operated alcohol assistance programs] who were polled said that company officials considered on-the-job drinking a serious threat to safety," he said.

FRA statistics show that, of 5,781 railroad accidents last year, "human factors" contributed to or caused 1,597. Such factors include many things, only some of which involve sobriety.

According to the safety board, the Livingston wreck is the eighth major train accident since 1972 in which alcohol and other drugs are involved. The board does not investigate many minor accidents.

Regardless of the outcome in this case, most railroads including ICG now have alcohol-treatment programs employes can enter voluntarily without jeopardizing their jobs. However, doing something to keep drunks out of the locomotive has been another matter.

Southern Pacific attempted in 1980 to give "intoxalyzer" tests to train crews as they reported for duty. That precipitated a two-day wildcat strike by the Brotherhood of Locomotive Engineers, which won a ruling that use of such devices was a change in longstanding practice and had to be negotiated.

"That program was an insult to a great many people who don't drink anything stronger than Pepsi," a union spokesman said. Southern Pacific said 4,000 persons, some relatives of employes, are enrolled in its alcohol treatment program.

Blanchette said at the June meeting that if labor and management did not devise a mutually agreeable program to address the problem of drunks on the railroad, the federal government would be forced to regulate. The safety board has been urging the FRA for eight years to adopt a rule similar to the one the Federal Aviation Administration uses for pilots, who may not drink eight hours before flying.

The Association of American Railroads and the Railway Labor Executives Association have held one meeting since Blanchette's prod to see if they can produce a recommendation.

Journal of Commerce
November 29, 1982

Lame-Duck Session

WASHINGTON BUREAU

ONLY 15 LEGISLATIVE DAYS until adjournment — that, and an irony or two, are all that's left of the 97th Congress if the "lame-duck" session that begins today ends Dec. 17 as expected.

There are fond hopes for crowding action on a host of uncompleted appropriations bills and many other legislative measures into that narrow time frame; there's bound to be some disappointment.

Support is building for higher fuel taxes to finance highway or mass transit construction and maintenance contracts, but how the increases will apply to various modes still is a stumbling block.

The Reagan administration proposal to be unveiled this week will be based on a controversial Department of Transportation cost allocation study issued last May that calls for heavy trucks to absorb most of the increase.

Not surprisingly, the trucking industry is not enamored of such a proposal and prefers a traditional, across-the-board tax hike along with the new size and weight ceiling that will be part of the package.

Look for an attempt to deal with the cost allocation issue separately from the tax increase, an approach that has drawn some interest from House Public Works and Transportation Committee Chairman James Howard, D-N.J.

The administration probably will have to be forced to go along with such a move — its best chance for changing the allocation will be when the tax increase is being considered.

COAL SLURRY pipeline legislation is still on the leadership list for possible action in the lame duck session once work on appropriations bills is completed.

Similar House and Senate bills would give coal slurry pipelines the federal right of eminent domain to cross private property.

A coalition of coal companies, electric utilities, consumer groups and engineering and construction unions are continuing an intense lobbying effort. A series of breakfast briefings on the legislation for members of Congress and their staffs have been scheduled for this week on Capitol Hill.

Journal of Commerce
November 24, 1982

Truckers Await Data on Gas Tax

By TOM CONNORS
Journal of Commerce Staff

WASHINGTON — The trucking industry is waiting for the details of the gasoline tax increase and highway jobs funding plan formally embraced by President Reagan, and it stands ready to oppose a version of the plan that may be forthcoming from the Department of Transportation.

Edward V. Kiley, senior vice president of the American Trucking Associations, drew a distinction between the five-cent-a-gallon gasoline tax hike proposal endorsed by Mr. Reagan Tuesday and the additional truck tax increases that DOT officials have indicated may be in its proposal.

Mr. Kiley noted that truckers have supported past versions of fuel tax increases, but he made clear that the industry would oppose as "excessive" the increased levies that might be proposed for heavy trucks and buses.

At the heart of the issue is a study submitted to Congress by DOT last May that found that the trucking industry generally would pay its fair share of highway program costs through 1985 under present cost allocation formulas.

The study also found, Transportation Secretary Drew Lewis pointed out Monday, that "the heaviest combination trucks, however, would be paying only about 60 percent of their fair share."

He went on to tell an Orlando, Fla., audience that those trucks in effect "would be subsidized" by light- and medium-weight trucks and that "this is contrary to the basic user fee principle, which is that the user pay an equitable share of the cost of the service."

The secretary underlined his views in this regard by departing from his prepared text to declare that "we see no reason to allow trucks to rip up our highways and not pay their fair share."

Possible DOT steps in this area could include a larger tax boost for diesel fuel and a substantial boost in the $3 per 1,000 pounds present tax on trucks and buses with gross weights of more than 35,000 pounds.

Mr. Kiley said that if the DOT plan does follow the kinds of cost reallocation suggested by the May study, the result would be tax increases that "we couldn't live with."

He added that increased levies would "come at a very poor time" for the trucking industry. He cited new ATA data showing that key sections of the industry operated at a loss in the first six months of the year.

The carrot for the trucking industry in the DOT plan will be national size and weight limits, which are expected to run 80,000 pounds and 65 feet for tractor-trailer units, or larger than many state ceilings.

The tax increase proposal was embraced by the president after congressional leaders Monday reached a bipartisan agreement to push it in the lame-duck session ahead as a jobs creation bill. Expected revenues would be roughly $5.5 billion a year for highway and related construction funding.

The plan, which DOT will unveil after Congress returns Monday, could provide an estimated 320,000 jobs.